

PUBLIC DISCLOSURE

October 25, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Central Pacific Bank
Certificate Number: 17308

220 South King Street
Honolulu, Hawaii 96813

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

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San Francisco, California 94105

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING: This institution is rated **Outstanding**.

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	
High Satisfactory			X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated Outstanding.

- Lending levels reflect excellent responsiveness to assessment area credit needs.
- The bank makes a substantial majority of its loans inside its assessment areas.
- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of borrowers reflects excellent penetration among businesses of different revenue sizes and individuals of different income levels.
- The institution exhibits an excellent record of serving the credit needs of the most economically disadvantaged areas of its assessment areas, low-income individuals, and very small businesses, consistent with safe and sound banking practices.
- The institution is a leader in making community development loans.
- The institution makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs.

The Investment Test is rated Outstanding.

- The institution has an excellent level of qualified community development investments and

grants, often in a leadership position, particularly those that are not routinely provided by private investors.

- The institution exhibits excellent responsiveness to credit and community development needs.
- The institution makes significant use of innovative and/or complex investments to support community development initiatives.

The Service Test is rated High Satisfactory.

- Delivery systems are accessible to essentially all portions of the institution's assessment areas.
- To the extent changes have been made, the institution's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or individuals.
- Services, including where appropriate, business hours, do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI geographies and/or individuals.
- The institution provides a relatively high level of community development services.

Discrimination or Other Illegal Credit Practices

Violations of Regulation B, which implements the Equal Credit Opportunity Act, were identified during the CRA Evaluation period; however, the violations did not result in the downgrade of the bank's overall CRA Rating.

DESCRIPTION OF INSTITUTION

Background

Central Pacific Bank (CPB) is a state-chartered, non-member commercial bank headquartered in Honolulu, Hawaii (HI). A small group of World War II veterans founded the bank in 1954. The bank is a wholly owned subsidiary of Central Pacific Financial Corporation (CPFC), a Hawaii corporation and a one-bank holding company that is also located in Honolulu, Hawaii. CPFC is a HI corporation and a bank holding company registered under the Bank Holding Company Act of 1956, as amended. CPFC is publicly traded on the New York Stock Exchange under the symbol "CPF." The bank received an Outstanding CRA Rating at the previous FDIC Performance Evaluation dated July 9, 2019. The previous assigned rating used Interagency Large Institution Examination Procedures.

Operations

CPB operates 27 branch offices, including its corporate office, on the islands of Oahu, Maui, Hawaii, and Kauai. This count does not include the International Banking Center at the Waikiki Shopping Plaza. CPB also operates one loan production office in Maui. Since the prior evaluation, the bank

has not opened any branches and closed eight branches (seven in Honolulu and one in Kauai). Alternate delivery systems include 63 ATMs as well as night depositories; and online, mobile, phone, and mail banking. The bank also offers investment advisory and trust services. Moreover, Japanese-speaking assistance is available.

CPB's primary business focus continues to be offering home mortgage loans and serving the credit needs for small businesses operating in the Islands. CPB offers commercial and consumer customers a wide range of banking loan products including closed-end mortgage loans, home equity lines of credit, association of apartment owners loans, business lines of credit, commercial real estate loans, Small Business Administration (SBA) loans, working capital and short-term loans, personal lines of credit, auto loans, and general consumer loans. CPB provides a variety of deposit products including checking, savings, money market deposit accounts, certificates of deposit, and individual retirement accounts. While CPB has not changed its primary business strategy or focus since the previous evaluation, the bank has expanded consumer lending through new Fintech partnerships to expand operations in both Hawaii and the mainland.

Ability and Capacity

CPB has total assets of \$7.3 billion, total loans of \$5.4 billion, total securities of \$1.5 billion, and total equity capital of \$521.4 million as of September 30, 2022 Consolidated Report of Condition and Income (Call Report). The following table shows the bank's loan portfolio as of September 30, 2022.

Loan Portfolio Distribution as of 09/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	151,596	2.8
Secured by Farmland	48	0.0
Secured by 1-4 Family Residential Properties	2,644,168	48.8
Secured by Multifamily (5 or more) Residential Properties	305,094	5.6
Secured by Nonfarm Nonresidential Properties	1,030,604	19.0
Total Real Estate Loans	4,131,510	76.2
Commercial and Industrial Loans	496,492	9.2
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	769,916	14.2
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	25,995	0.4
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	5,423,913	100.0
<i>Source: Call Report</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

CPB designated four non-contiguous assessment areas all in the state of Hawaii. The four assessment areas are detailed as follows:

- Honolulu assessment area – Urban Honolulu, HI Metropolitan Statistical Area (MSA) #46520, which is comprised of the city and county of Honolulu, containing the island of Oahu;
- Hawaii Non-MSA assessment area – The non-MSA county of Hawaii, which is comprised of the county of Hawaii, containing the island of Hawaii;
- Kauai Non-MSA assessment area – The non-MSA county of Kauai, which is comprised of the county of Kauai, containing the islands of Kauai and Niihau; and
- Maui assessment area – Kahului-Wailuku-Lahaina, HI MSA #27980, which is comprised of the county of Maui, containing the islands of Maui, Kahoolawe, Lanai, and Molokai.

CPB did not change its assessment areas since the prior evaluation; however, Kalawao County is now a separate non-MSA county and no longer part of the Maui MSA at this current evaluation. CPB has no branches or ATMs in Kalawao County at the prior or current evaluation; therefore, Kalawao non-MSA County is not a designated assessment area at the current evaluation.

The designated assessment areas comply with the technical requirements of the CRA regulations and do not arbitrarily exclude any LMI areas. Refer to the individual assessment area sections for specific demographic, economic, and other additional information.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated July 9, 2019, to the current evaluation dated October 25, 2022. Examiners used Interagency Large Institution Examination Procedures to evaluate CPB's CRA performance. Examiners relied on records provided by the institution, reported loan data, public financial and economic information, demographic data, and community contacts.

Examiners used full-scope evaluation procedures in the Honolulu assessment area, placing more weight on this area because it contains the majority of loans, deposits, and branches. Examiners conducted separate analysis of the Hawaii non-MSA and Kauai non-MSA assessment areas. Since no anomalies were identified, examiners presented the two non-MSA assessment areas combined into one Hawaii-Kauai non-MSA assessment area in this performance evaluation using full-scope evaluation procedures. The primary reason for presenting this assessment area using full-scope procedures is because it has been evaluated as limited-scope for the prior two CRA Evaluations. Examiners used limited-scope procedures in the Maui assessment area because it contains relatively lower levels of CRA-related activities, and examiners reviewed this assessment area using full-

scope procedures at the prior evaluation. The following table contains a breakdown of the loans, deposits, and branches by assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Honolulu	17,426	79.6	5,580,954	84.1	20	74.1
Hawaii	1,611	7.3	321,790	4.8	2	7.4
Kauai	652	3.0	132,937	2.0	1	3.7
Maui	2,207	10.1	604,514	9.1	4	14.8
Total	21,896	100.0	6,640,195	100.0	27	100.0
<i>Source: Bank Data; FDIC Summary of Deposits (6/30/2022); only includes loans reviewed in this evaluation.</i>						

Activities Reviewed

Examiners determined that CPB's major product lines are small business and home mortgage loans. This conclusion primarily considered the bank's business strategy, loan portfolio composition, and lending activity during the evaluation period. Due to COVID-19, small business lending by number represents the majority of the loans reviewed in 2020 and 2021. However, home mortgage loans remains the primary focus of the bank's business strategy and represents the majority of loans reviewed by dollar volume during the review period. Thus, examiners placed equal weight on small business loans and home mortgage loans. While the bank offers consumer loans, CPB opted not to report its consumer lending for CRA purposes as the number and dollar volume do not make up a majority of the bank's lending activity. Therefore, examiners did not consider the bank's consumer lending. The bank did not offer or extend small farm loans during the review period.

For the Lending Test, examiners reviewed and analyzed the universe of reported small business and Home Mortgage Disclosure Act (HMDA) loans originated and purchased from January 1, 2019, to December 31, 2021. Overall, CPB originated or purchased 14,085 small business loans totaling \$1.0 billion and 8,195 HMDA loans totaling \$3.5 billion during the review period. The following table shows the lending volumes by product type and year.

Loan Products Reviewed				
Year	Small Business		HMDA	
	#	\$(000s)	#	\$(000s)
2019	807	116,544	2,108	906,323
2020	7,804	522,168	3,156	1,342,276
2021	5,474	365,136	2,931	1,285,707
Total	14,085	1,003,848	8,195	3,534,306
<i>Source: Bank Data</i>				

In addition, examiners reviewed all community development loans, qualified investments and donations, and community development services from the prior evaluation dated July 9, 2019,

through October 25, 2022. The evaluation also includes prior-period qualified investments still outstanding as of October 25, 2022. Examiners evaluated community development activities quantitatively based on the financial capacity of the bank and qualitatively based upon assessment area impact.

Finally, examiners reviewed retail banking products and services targeted to LMI individuals or small businesses tailored to meet the needs of the assessment areas. Examiners also reviewed retail delivery systems, such as branch offices and alternative delivery systems, including the effect of branch closures.

Examiners reviewed the number and dollar volume of small business and HMDA loans under the Lending Test. While both number and dollar volume of loans are presented, examiners focused on the number of loans because it is a better indicator of the businesses and individuals served. Examiners compared the lending performance to 2019, 2020, and 2021 D&B data, 2019 and 2020 HMDA and small business aggregate data, 2021 HMDA aggregate data, and 2015 ACS Census data. Aggregate small business data from 2021 was not yet available at the time of this evaluation. Examiners also compared the lending and community development performance to the prior evaluation and to comparable institutions.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test performance is rated Outstanding. The excellent distribution of borrowers and level of community development lending primarily support this rating. Conclusions regarding overall performance are generally consistent in the Honolulu and Hawaii-Kauai Non-MSA assessment areas and below in the Maui assessment area. Refer to each assessment area for a detailed analysis.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs. In the 3 calendar years reviewed, the bank made 14,085 small business loans totaling \$1.0 billion and 8,195 HMDA loans totaling \$3.5 billion. This is a significant increase in both home mortgage and small business lending since the previous evaluation when the bank originated 3,262 HMDA loans totaling \$1.5 billion and 1,982 small business loans totaling \$270.4 million. This increase in loan volume is largely due to the COVID_19 pandemic effects in 2020 and 2021 that includes low interest rates and SBA Paycheck Protection Program (SBA PPP) loans. Refer to each assessment area for lending activity and market share details.

CPB has an average net loan-to-deposit (LTD) ratio of 81.9 percent for the 13 quarters since the prior evaluation. The average net LTD ranged from a low of 75.6 percent as of December 31, 2021, to a high of 87.4 percent as of September 30, 2020. The bank's performance significantly outperformed three similarly situated financial institutions for the review period. CPB's average net LTD ratio remained relatively consistent during the review period with a slight decline in each

quarter since the 3rd quarter of 2020 to the end of 2021. In addition, CPB has purchased 56 participation loans for approximately \$605.9 million and sold 10 participation loans for nearly \$257.2 million during the review period.

Assessment Area Concentration

Overall, CPB made a substantial majority of loans inside its assessment areas. The performance is consistent with the bank's assessment area concentration performance at the previous evaluation. The following table shows the lending activity by loan category and year during the review period.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Home Mortgage										
2019	2,103	99.8	5	0.2	2,108	871,623	96.2	34,700	3.8	906,323
2020	3,156	100.0	0	0.0	3,156	1,342,277	100.0	0	0.0	1,342,276
2021	2,930	100.0	1	0.0	2,931	1,279,237	99.5	6,470	0.5	1,285,707
Subtotal	8,189	99.9	6	0.1	8,195	3,493,136	98.8	41,170	1.2	3,534,306
Small Business										
2019	804	99.6	3	0.4	807	115,089	98.8	1,455	1.2	116,544
2020	7,490	96.0	314	4.0	7,804	495,876	95.0	26,292	5.0	522,168
2021	5,413	98.9	61	1.1	5,474	356,095	97.5	9,041	2.5	365,136
Subtotal	13,707	97.3	378	2.7	14,085	967,060	96.3	36,788	3.7	1,003,848
Total	21,896	98.3	384	1.7	22,280	4,460,196	98.3	77,958	1.7	4,538,154
Source: Bank Data Due to rounding, totals may not equal 100.0%										

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment areas. The performance was consistent in the full-scope assessment areas and below in the limited scope assessment area. Refer to each assessment area for details.

Borrower Profile

The distribution of borrowers reflects excellent penetration among businesses of different revenue sizes and individuals of different income levels. The performance was consistent in the full-scope assessment areas and below in the limited scope assessment area. Refer to each assessment area sections for details.

Innovative or Flexible Lending Practices

CPB makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs. The performance was consistent among the assessment areas. CPB offers and participates in several lending programs in support of affordable housing initiatives, economic development for small businesses, and consumers and businesses affected by the COVID-19 pandemic. The following table presents innovative or flexible loan programs offered bank-wide during the review period.

Innovative or Flexible Lending Programs										
Type of Program	2019		2020		2021		2022		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Veterans Administration (VA) Mortgage Loan	35	21,376	78	47,281	28	16,007	19	12,888	160	97,551
First Time Homebuyer	109	47,527	153	71,779	205	93,782	88	44,385	555	257,473
Mortgage Credit Certificate (MCC) Program	34	13,963	39	13,834	16	7,198	9	3,833	98	38,828
Federal Housing Administration	9	4,718	7	4,111	0	0	0	0	16	8,829
U.S. Department of Agriculture Rural Development Loan	4	1,155	7	2,102	2	429	2	919	15	4,605
Hawaii Economic Development Corporation Loan	0	0	1	285	2	1,415	1	433	4	2,133
Freddie Mac Home Possible	4	1,141	3	629	4	1,054	0	0	11	2,824
Fannie Mae Home Ready	10	3,184	17	5,022	14	4,642	6	1,718	47	14,566
SBA 7(a) and Express Loan	27	606	61	2,311	85	3,101	62	2,177	235	8,196
SBA PPP Loan	0	0	7,180	549,404	4,569	239,039	0	0	11,749	788,443
Payment Deferrals	0	0	4,580	419,096	0	0	0	0	4,580	419,096
DMI Forbearance	0	0	380	183,473	4	1,289	0	0	384	184,762
Loan Modification	0	0	64	8,109	111	37,427	31	12,614	206	58,150
Totals	232	93,671	12,570	1,307,435	5,040	405,382	218	78,967	18,060	1,885,455
<i>Source: Bank Data 7/9/2019 – 10/25/2022</i>										

The followings are notable examples of innovative or flexible lending programs:

- First Time Homebuyer Loan Program – CPB developed this program to help provide loans to eligible first-time homebuyers. The program continues to grow in volume and has positive impact on affordable housing in the bank-wide assessment areas. CPB offers a

special pricing incentive of 25 basis points for first time homebuyers and a discount of 50 basis points for home purchase loans to increase affordability.

- VA Loans – The State of Hawaii has a large military presence that includes veterans. These loans were created to help veterans finance the purchase of their homes.
- MCC Program – This program was authorized by Congress in the 1984 Tax Reform Act as a means of providing housing assistance to LMI families. MCC reduces the amount of federal income tax paid; thus, it gives homeowners more available income to qualify for a mortgage loan and assist with housing payments.
- Response to COVID-19:
 - o SBA PPP – The program was created in 2020 and structured to help small businesses and other organizations during the COVID-19 pandemic by providing fully forgivable loans that can be used to help preserve jobs and cover other specific business expenses. CPB originated the most SBA PPP loans among all financial institutions in the state of Hawaii.
 - o COVID-19 Payment Deferrals – CPB offered three-month payment deferrals to customers economically affected by the pandemic. This flexibility provided much-needed relief for struggling individuals and businesses.
 - o COVID-19 Loan Modifications – Following the cessation of the bank's COVID-19 payment deferral programs on October 30, 2020, CPB offered a new program that allowed borrowers to pay only 50 percent of their monthly payment for 6 months. In addition, the bank extended borrowers maturity dates for an additional 3 months from their current maturity date.
 - o DMI Forbearance – CPB offered pandemic-related forbearance to all of its mortgage borrowers upon a borrower's verbal or written forbearance request. Borrowers were granted relief assistance for up to 180 days and upon receipt of an extension request, the servicer granted relief assistance for up to an additional 180 days. During the approved forbearance period, the servicer abstained from charging any fees, penalties, or excess interest beyond what was agreed in the contract. Additionally, the bank reported the credit obligation as current during the approved forbearance period whether or not the borrower made a payment. There were no restrictions on who qualified and CPB did not decline any forbearance requests.

Innovative and flexible lending practices do not vary by assessment area; therefore, this information is only presented in this section of the performance evaluation.

Community Development Loans

CPB is a leader in making community development loans. Community development lending equals 14.4 percent of average total assets and 19.7 percent of average total loans since the prior evaluation. The performance was consistent in all assessment areas. The ratios significantly improved since the prior evaluation when CPB was a leader in making community development loans, and the ratios also outperformed the comparable institution who has more than triple CPB's total assets and is a leader in making community development loans.

The following table shows the bank's community development lending by assessment area and purpose.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Honolulu	45	136,995	15	46,326	80	211,176	80	392,931	220	787,428
Hawaii-Kauai Non-MSA	1	600	1	250	6	9,874	3	11,150	11	21,874
Maui	2	21,765	1	1,270	35	79,795	14	22,410	52	125,240
Regional Activities	6	29,590	0	0	0	0	0	0	6	29,590
Total	54	188,950	17	47,846	121	300,845	97	426,491	289	964,132
<i>Source: Bank Data</i>										

CPB made 6 residential loans totaling \$29.6 million in Los Angeles and San Diego, California, providing hundreds of affordable housing apartment units below market rents to LMI tenants. This information is included in the above table under Regional Activities.

The bank's community development lending includes 96 SBA PPP loans totaling \$163.0 million that had a community development purpose of stabilizing LMI and distressed areas or retaining jobs and/or providing community services for LMI individuals. Although most SBA PPP loans with loan amounts of \$1.0 million or less are small business loans, many PPP loans over \$1.0 million or those made to non-profit organizations qualify as community development loans. The bank's SBA PPP lending was particularly responsive to the credit needs of small businesses during the pandemic.

At the prior evaluation, CPB was a leader in making community development loans originating 123 totaling \$381.8 million, equal to 6.8 percent of average total assets and 9.8 percent of average total loans. Excluding SBA PPP loans and controlling for asset size and the length of the evaluation period, the bank's current performance demonstrates improvement, by dollar volume, since the excellent performance at the prior evaluation. Further, it is comparable to the excellent performance of the comparable institution.

Refer to the full-scope assessment areas for further details and notable examples of community development loans.

INVESTMENT TEST

The Investment Test performance is rated Outstanding. The excellent level and responsiveness of qualified investments and grants support this rating. All assessment areas had consistent performance. Refer to each assessment area's Investment Test conclusions for a detailed analysis.

Investment and Grant Activity

CPB has an excellent level of qualified investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. Qualified investments, including qualified grants and donations, include 223 investments totaling \$66.9 million. This performance equals 1.0 percent of average total assets and 5.1 percent of average total securities since the prior evaluation. This bank's performance was consistent in all assessment areas. The ratios outperformed both the comparable institution and CPB's prior evaluation ratios. Controlling for asset size and the length of the evaluation period, the current level of investments is consistent with both the excellent performance at the prior evaluation and excellent performance by the comparable institution by dollar volume.

Total qualified investments include 17 prior-period investments: 10 low-income housing tax credit investments with outstanding balances of \$30.8 million, 4 affordable housing revenue bonds benefiting individual assessment areas, and 3 statewide mortgage backed securities benefiting the state of Hawaii. The low-income housing tax credit investments support numerous units of affordable housing for LMI individuals. Many of the affordable housing units are restricted to low-income, very low-income, and elderly individuals. Private investors do not commonly provide low-income housing tax credit investments due to their complexity.

Qualified investments also include 201 qualified grants and donations totaling \$2.5 million. Among the total grants and donations, 44 totaling approximately \$655,000 were statewide grants and donations benefiting all the assessment areas. The majority of qualified grants and donations supported community services targeted to LMI individuals. The level of qualified grants and donations tripled by dollar volume since the prior evaluation and were very responsive to the COVID-19 pandemic. The table below shows the qualified grants and donations by assessment area and purpose.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Honolulu	4	8,835	0	0	0	0	0	0	4	8,835
Hawaii-Kauai Non-MSA	4	20,787	0	0	0	0	0	0	4	20,787
Maui	11	31,582	0	0	0	0	0	0	11	31,582
Statewide Equity Investments	3	3,171	0	0	0	0	0	0	3	3,171
Investments Subtotal	22	64,375	0	0	0	0	0	0	22	64,375
Qualified Grants & Donations	4	91	117	966	7	283	29	498	157	1,838
Statewide Donations	6	18	30	238	1	35	7	364	44	655
Donations Subtotal	10	109	147	1,204	8	318	36	862	201	2,493
Total	32	64,484	147	1,204	8	318	36	862	223	66,868
<i>Source: Bank Data</i>										

Refer to the full-scope assessment areas for further details and notable examples of qualified investments and grants.

Responsiveness to Credit and Community Development Needs

CPB exhibits excellent responsiveness to credit and community development needs. The majority of qualified investments by dollar volume, equaling 96.4 percent of all investments, supported affordable housing, a significant credit and community development need, where housing costs are very high and affordable housing is limited. The overall level of investments benefitting this critical need was significant. Qualified grants and donations primarily support community services for LMI individuals, equaling 48.3 percent of all grants and donations. These grants and donations were especially responsive to the increased need for community services across all assessment areas during the COVID-19 pandemic.

Community Development Initiatives

CPB makes significant use of innovative and/or complex investments to support community development initiatives. Excluding grants and donations, about half of CPB's qualified equity investments were low-income housing tax credits, which are complex, time-consuming transactions that require significant legal, financial, administrative, and tax expertise.

CPB also made a number of qualified grants and donations through the CPB Foundation; the bank's associated charitable foundation. The Foundation's mission is to help strengthen the state of Hawaii's communities by creating opportunities for Hawaii's youth and fostering social progress. The CPB Foundation focuses on LMI education and community development. The Foundation awards grants three times a year. Making qualified grants and donations through an associated charitable foundation is an innovative channel to provide investments. The CPB Foundation was a leader in stabilizing small businesses hit hardest by COVID-19 shutdowns and restrictions.

SERVICE TEST

The Service Test is rated High Satisfactory. Conclusions regarding overall performance are consistent in the Honolulu and Hawaii-Kauai Non-MSA assessment areas, with above performance in the Maui assessment area.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the institution's assessment areas. CPB operates 27 branch offices, including its corporate office, and 63 ATMs located throughout its assessment areas. Off-site ATMs are cash dispensing only, with the exception of ATMs located at recently closed branch locations, which continue to accept deposits. Drive-up services are available at three branch locations. In addition to the branch offices, CPB operates one loan production office and one banking center in the city of Honolulu.

CPB has 8 branches in LMI geographies representing 29.6 percent of its branch network within these geographies. This percentage compares favorably to the 26.5 percent of branches operated by all institutions within LMI geographies in the assessment areas. Branch distribution in LMI geographies varies among the assessment areas with differences noted in the Honolulu and Hawaii-Kauai Non-MSA assessment areas' where branch distribution compares above the peer institutions' distribution while the branch distribution in the Maui assessment area is below peer institutions. The following table shows the distribution of branch and ATM locations by geography.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	13	3.7	47,687	3.4	1	3.7	3	4.8
Moderate	65	18.6	281,952	20.1	7	25.9	15	23.8
Middle	154	44.1	724,773	51.5	10	37.0	32	50.8
Upper	77	22.1	349,958	24.9	8	29.7	12	19.0
NA	40	11.5	1,844	0.1	1	3.7	1	1.6
Total	349	100.0	1,406,214	100.0	27	100.0	63	100.0
<i>Source: Bank Data and 2015 ACS</i>								

CPB offers several alternative delivery systems for customers to access banking products and services. In addition to its brick and mortar branches, CPB offers the following alternative delivery systems: on-line banking, bank-by-mail, 24-hour telephone banking, night depositories, mobile banking, and on-line customer service chat. CPB has a Customer Service Center that provides customer support seven days a week, except for holidays supporting both English and Japanese languages.

The bank offers these alternative delivery systems throughout its assessment areas; therefore, they are not discussed at the assessment area level.

Changes in Branch Locations

To the extent changes have been made, the institution's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or individuals. During the evaluation period, CPB closed eight branch offices. Seven of the eight branch closures were in the Honolulu assessment area with one branch in a low- and three in moderate-income geographies. The ATMs at all closed branch locations continue to accept deposits and dispense cash. Given the available alternative delivery systems and continued services provided by the ATMs, the closures did not have a major adverse impact to the area as customers have other means to access their accounts. The following table shows the effect of the eight branch closings in each assessment area and census tract income level.

Net Distribution of Branch Openings/Closings						
Assessment Area	# of Branch Openings	# of Branch Closings	Income Level of Census Tract (+/-)			
			Low	Moderate	Middle	Upper
Honolulu	0	7	-1	-3	-3	0
Hawaii-Kauai Non-MSA	0	1	0	0	-1	0
Maui	0	0	0	0	0	0
Total	0	8	-1	-3	-4	0

Source: Bank Data and 2015 ACS

Reasonableness of Business Hours and Services

Services (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI geographies and/or individuals. All bank branch locations are full-scope and offer the same products and services. Banking hours generally reflect the need of the local communities the bank serves. Branch hours are generally from 8:30 a.m. – 4:00 p.m. Monday through Thursday with extended hours to 6:00 p.m. on Friday. Thirteen bank branches offer Saturday banking hours from 9:00 a.m. – 1:00 p.m. Refer to each assessment area for additional details.

The bank offers several affordable deposit products that would benefit LMI individuals. In November 2021, CPB launched a new digital checking account called Shaka Checking. This is Hawaii's first digital online bank account. The account can be opened for as little as \$25 with no minimum balance requirement or service charge. The bank refunds all ATM surcharge fees up to \$20 per month. CPB also offers a value checking account with no minimum opening deposit when opened in a branch (\$25 if opened online) and no minimum balance requirements. The bank offers a starter youth savings account that can be opened with \$10 and a minimum daily balance requirement of \$25 to avoid a \$2 monthly service charge. This account is available for youth up to 17 years old. The bank also offers personal loans from \$5,000 to \$50,000 with fixed rates and convenient repayment terms from 12 to 60 months. There is no annual fee or collateral required and no penalty for early repayment.

Community Development Services

CPB provides a relatively high level of community development services. During the evaluation period, 75 senior management, officers, and employees provided 8,857 service hours to 77 qualified community development organizations. Services provided are primarily focused on a variety of community services that benefit LMI individuals and areas, with additional service hours provided to organizations to revitalize and stabilize LMI areas, affordable housing targeted to LMI individuals and families, and economic development targeted to local small businesses in the bank's assessment areas. There was a decrease in qualified community development service hours from the previous evaluation where employees provided 10,217 hours. The annualized hours are far below the prior evaluation where the bank was considered a leader. This decline is largely due to the COVID-19 pandemic that placed many restrictions for in-person activities. CPB's performance is far below a similarly situated large bank that was considered a leader in providing community development services. However, examiners took into consideration that the similarly situated large bank is triple CPB's asset size. The bank's community development services by assessment area and type are as follows:

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Honolulu	28	4,554	24	359	4,965
Hawaii-Kauai Non-MSA	0	454	0	90	544
Maui	23	1,368	40	9	1,440
Statewide Activities	0	1,908	0	0	1,908
Total	51	8,284	64	458	8,857
<i>Source: Bank Data</i>					

Below are noteworthy examples of the bank's qualified services that benefitted all of the assessment areas:

- An executive officer participates as a board member for a non-profit organization dedicated to provide LMI youth with programs and services to make responsible life choices.
- An officer participates as a board member for an organization providing social services benefitting LMI individuals.
- An officer is a board member for an organization dedicated to provide support and accessibility to services for the homeless.

Refer to the full-scope assessment areas for further details and notable examples of community development service activities provided.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

A discriminatory violation inconsistent with helping to meet community credit needs was identified during the CRA evaluation period. Specifically, a violation of Section 1002.4 of Regulation B, which implements the Equal Credit Opportunity Act, was cited at the examination.

The bank's overall CRA rating was not lowered from Outstanding, as the impact and severity of this violation was minimal compared to the overall scale of the bank's business and lending activities. In addition, the bank ceased the practice immediately upon discovery and committed to full corrective action. Bank management committed to enhance its compliance management system and implement appropriate oversight to prevent recurrence.

HONOLULU ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE HONOLULU ASSESSMENT AREA

The Honolulu assessment area includes all census tracts on the island of Oahu, which is wholly contained within the Urban Honolulu MSA #46520.

Economic and Demographic Data

Based on the 2015 ACS Census data, the Honolulu assessment area consists of 244 census tracts. The following table shows select demographic, housing, and business information within the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Honolulu						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	244	4.1	20.9	42.2	26.6	6.1
Population by Geography	984,178	3.2	22.3	46.4	28.0	0.2
Housing Units by Geography	341,239	2.9	24.0	45.2	27.8	0.1
Owner-Occupied Units by Geography	168,551	1.0	12.0	48.4	38.6	0.0
Occupied Rental Units by Geography	141,051	5.4	37.5	41.4	15.6	0.2
Vacant Units by Geography	31,637	2.3	28.1	44.9	24.6	0.2
Businesses by Geography	84,776	4.0	17.9	37.5	37.1	3.4
Farms by Geography	1,305	4.1	14.4	45.3	34.3	2.0
Family Distribution by Income Level	217,945	19.6	18.4	22.0	40.0	0.0
Household Distribution by Income Level	309,602	22.4	16.7	19.6	41.4	0.0
Median Family Income MSA - 46520 Urban Honolulu, HI MSA		\$86,366	Median Housing Value			\$523,593
			Median Gross Rent			\$1,637
			Families Below Poverty Level			6.5%
Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

The assessment area's 84,776 businesses reported gross annual revenues as follows:

- 88.5 percent had \$1 million or less
- 3.9 percent had more than \$1 million
- 7.6 percent did not report revenue information

Services represent the largest industry at 37.0 percent of businesses followed by non-classifiable establishments at 28.0 percent, retail trade at 10.7 percent, and finance, insurance, and real estate at 8.5 percent.

The Federal Financial Institutions Examination Council (FFIEC) annually publishes estimates of updated median family incomes by MSA or Metropolitan Division. The following table shows the FFIEC's estimated median family incomes from 2019 to 2021 in the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Urban Honolulu, HI MSA Median Family Income (46520)				
2019 (\$99,000)	<\$49,500	\$49,500 to <\$79,200	\$79,200 to <\$118,800	≥\$118,800
2020 (\$101,600)	<\$50,800	\$50,800 to <\$81,280	\$81,280 to <\$121,920	≥\$121,920
2021 (\$106,000)	<\$53,000	\$53,000 to <\$84,800	\$84,800 to <\$127,200	≥\$127,200
Source: FFIEC				

According to the July 2022 Moody's Analytics report, Honolulu's economy is growing at a slow pace, similar to the state overall. The area has recovered about three-fifths of jobs lost during the pandemic, lagging behind the fully recovered region and nation. Despite some upward motion, the tourism industry continues to fall flat primarily due to high cost pressures and fewer visitors than normal, including international visitors. There has been an increase in federal and state hiring, reflecting a rise in public sector employment. The unemployment rate has ranged from a high of 22.4 in March of 2020 to a low of 1.9 in November of 2019. The unemployment rate has slowly declined and has been less than 5.0 percent since September of 2021. Home price appreciation has slowed given higher rates, but it still exceeds the U.S. average because of continuing supply constraints. Area strengths include attractive climate and recreational activities for retirees and travelers, above-average educational attainment, large military presence, and high per capita income. Weaknesses include overreliance on consumer spending, very high costs and unaffordable housing, weak migration trends, and reliance on imported energy sources. The top employment sectors include government, education and health services, leisure and hospitality services, and professional and business services. The area's largest employers include Schofield Barracks, Pearl Harbor Naval Complex, Fort Shafter, and Marine Corps Base Hawaii Kaneohe Bay. The Honolulu assessment area was subject to four major disaster declarations during the review period. Three of the four involved severe storms, flooding, and landslides with the following declaration dates; July 20, 2020, May 13, 2021 and February 15, 2022. The fourth was the Hawaii COVID-19 Pandemic that was declared on April 1, 2020.

Competition

The financial services market in the Honolulu assessment area has a relatively low level of competition and is largely controlled by a small number of local and regional institutions. According to the June 30, 2022 FDIC Deposit Market Share Report, the assessment area had 13 financial institutions operating 152 branches with a total of \$47.8 billion in deposits. Collectively, the top 3 financial institutions control 81.2 percent of the assessment area deposit market share. CPB maintains \$5.6 billion in total deposits, representing 11.7 percent of the assessment area deposit market share ranking 4th among all financial institutions in the area.

Community Contact

Examiners reviewed one existing community contact for the Honolulu assessment area. The contact is a community development financial institution primarily serving LMI families. The

contact identified a need for affordable housing, both constructing new affordable housing and providing assistance to LMI families in pursuit of homeownership.

Credit and Community Development Needs and Opportunities

Based on economic and demographic data, the community contact, and bank information, examiners identified a need for affordable housing in the Honolulu assessment area. There is a community development need for affordable housing and aid to the homeless population due to the area's high cost of housing. Opportunities for home mortgage lending also increased in 2020 and 2021 due to lower interest rates that increased demand. Moreover, there are ongoing needs for community services that increased in 2020 and 2021, as more individuals needed assistance during the pandemic; however, there may have been fewer opportunities to provide community development services in-person due to government and public health restrictions on public gatherings.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE HONOLULU ASSESSMENT AREA

LENDING TEST

The Lending Test performance in the Honolulu assessment area is excellent. The excellent distribution of borrowers and leader in making community development loans primarily support this conclusion.

Lending Activity

Lending levels reflect excellent responsiveness to the credit needs of the Honolulu assessment area. During the review period, CPB made or purchased 6,794 home mortgage loans totaling \$3.0 billion and 10,632 small business loans totaling \$710.0 million within this assessment area. Controlling for the length of the evaluation period, CPB's lending in the Honolulu assessment area for both HMDA and small business loans increased by number and dollar volume compared to the previous evaluation. The increase in lending is largely attributable to effects of the COVID-19 pandemic such as lower interest rates and SBA PPP lending, indicating a strong responsiveness to credit needs.

Assessment area small business loan competition is high. In 2020, 122 lenders reported 29,268 small business loans totaling \$1.7 billion. Of these institutions, CPB ranked 1st, by number of loans, with a market share of 22.3 percent and 2nd, by dollar volume, with a 22.3 percent market share. The top 5 institutions, by number of small business loans, represent 72.4 percent of total loans reported. Four of these institutions are large local lenders.

Assessment area mortgage lending competition is high. In 2020, 244 lenders reported 67,084 home mortgage loans totaling \$32.6 billion. Of these institutions, CPB ranked 4th, by number of loans, with a market share of 5.7 percent and 3rd, by dollar volume, with a 5.0 percent market share. The top 5 institutions, by number of home mortgage loans, represent 36.1 percent of total loans reported. Four of these institutions are large local lenders.

Geographic Distribution

Overall, the geographic distribution of loans represents good penetration throughout the Honolulu assessment area. This conclusion is supported by adequate performance in home mortgage lending and good performance in small business lending.

Home Mortgage Loans

The geographic distribution of home mortgage loans represents adequate penetration throughout the Honolulu assessment area. The following table shows the distribution of home mortgage loans by census tract income level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Honolulu						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	1.0	0.6	10	0.6	3,197	0.4
2020	1.0	0.5	11	0.4	2,815	0.2
2021	1.0	0.7	18	0.7	5,389	0.5
Moderate						
2019	12.0	11.9	184	10.6	65,135	8.7
2020	12.0	10.2	211	8.0	65,197	5.7
2021	12.0	11.7	243	10.0	79,745	7.3
Middle						
2019	48.4	43.0	595	34.2	225,798	30.2
2020	48.4	42.8	1,048	39.9	407,261	35.6
2021	48.4	43.0	898	37.0	368,153	33.9
Upper						
2019	38.6	44.5	949	54.6	453,727	60.7
2020	38.6	46.4	1,356	51.6	668,896	58.4
2021	38.6	44.5	1,269	52.2	632,110	58.2
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	1	0.0	240	0.0
2021	0.0	0.1	1	0.0	285	0.0
Totals						
2019	100.0	100.0	1,738	100.0	747,857	100.0
2020	100.0	100.0	2,627	100.0	1,144,410	100.0
2021	100.0	100.0	2,429	100.0	1,085,681	100.0
Source: 2015 ACS; Bank Data, 2019, 2020 & 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%						

Lending in low-income census tracts mirrors aggregate data and is slightly below demographic data. CPB's lending in moderate-income census tracts is slightly below both aggregate and demographic data. The average difference between the bank's performance and aggregate data is 1.7 percentage points during the review period. The bank's 2020 lending performance was slightly lower than 2019 and 2021; however, the decline appears to be an anomaly. Overall, the performance is consistent from the adequate performance at the prior evaluation and is consistent with the adequate performance of the comparable institution.

Small Business Loans

The geographic distribution of small business loans represents good penetration throughout the Honolulu assessment area. The following table shows the distribution of small business loans by census tract income level.

Geographic Distribution of Small Business Loans						
Assessment Area: Honolulu						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	4.2	4.4	43	7.0	10,241	13.3
2020	4.2	4.9	261	4.5	28,492	7.7
2021	4.0	--	212	5.0	22,747	8.7
Moderate						
2019	18.5	18.5	125	20.3	14,144	18.3
2020	18.0	19.2	1,298	22.4	86,823	23.3
2021	17.9	--	959	22.7	56,464	21.7
Middle						
2019	37.1	37.8	224	36.4	23,187	30.0
2020	37.3	35.7	1,936	33.4	104,894	28.2
2021	37.5	--	1,410	33.4	76,343	29.3
Upper						
2019	36.3	36.1	198	32.2	23,615	30.6
2020	36.7	36.4	2,103	36.3	125,121	33.6
2021	37.1	--	1,490	35.3	84,625	32.5
Not Available						
2019	3.9	3.2	25	4.1	6,074	7.9
2020	3.8	3.8	202	3.5	26,768	7.2
2021	3.4	--	146	3.5	20,418	7.8
Totals						
2019	100.0	100.0	615	100.0	77,261	100.0
2020	100.0	100.0	5,800	100.0	372,098	100.0
2021	100.0	--	4,217	100.0	260,597	100.0
Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

The bank's performance consistently exceeded both aggregate and demographic data, except for lending in low-income census tracts in 2020 where it was slightly below aggregate data. Overall,

the performance is consistent with the prior evaluation's good performance and is consistent with the good performance of the comparable institution.

Borrower Profile

Overall, the distribution of borrowers represents excellent penetration among businesses of different revenue sizes and individuals of different income levels in the Honolulu assessment area. This conclusion is supported by good performance in home mortgage lending and excellent performance in small business lending.

Home Mortgage Loans

The distribution of home mortgage loans represents good penetration among individuals of different income levels. The following table shows the distribution of loans by borrower income category.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Honolulu						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	19.6	3.2	50	2.9	8,120	1.1
2020	19.6	2.5	77	2.9	13,368	1.2
2021	19.6	3.7	107	4.4	24,709	2.3
Moderate						
2019	18.4	12.1	241	13.9	62,717	8.4
2020	18.4	11.4	311	11.8	82,806	7.2
2021	18.4	14.2	366	15.1	105,213	9.7
Middle						
2019	22.0	23.5	416	23.9	138,046	18.5
2020	22.0	21.9	600	22.8	215,684	18.8
2021	22.0	24.3	564	23.2	197,763	18.2
Upper						
2019	40.0	41.1	987	56.8	490,153	65.5
2020	40.0	37.7	1,524	58.0	777,712	68.0
2021	40.0	37.7	1,328	54.7	733,883	67.6
Not Available						
2019	0.0	20.1	44	2.5	48,821	6.5
2020	0.0	26.5	115	4.4	54,840	4.8
2021	0.0	20.2	64	2.6	24,114	2.2
Totals						
2019	100.0	100.0	1,738	100.0	747,857	100.0
2020	100.0	100.0	2,627	100.0	1,144,410	100.0
2021	100.0	100.0	2,429	100.0	1,085,681	100.0
Source: 2015 ACS; Bank Data, 2019, 2020 & 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%						

Lending to LMI borrowers consistently exceeded aggregate data although by small margins, except for lending to low-income borrowers in 2019 where lending was 0.3 percent below the aggregate data. The distribution of home mortgage loans is below demographic data; however, this is partly explained by the 6.5 percent assessment area poverty rate. In addition, low housing affordability rates have a significant impact on both LMI borrowers. This limits the opportunities for banks to make home mortgage loans to these borrowers. By exceeding or matching aggregate data, CPB demonstrated good performance. Overall, the performance shows improvement from the adequate

performance at the prior evaluation and is similar with the good performance at the comparable institution.

Small Business Loans

The distribution of small business loans represents excellent penetration among businesses of different revenue sizes. The following table shows the distribution of loans by borrower revenue level.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Honolulu						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	86.9	45.1	463	75.3	30,952	40.1
2020	87.1	34.8	2,188	37.7	71,642	19.3
2021	88.5	--	823	19.5	49,403	19.0
>\$1,000,000						
2019	4.9	--	141	22.9	43,749	56.6
2020	4.7	--	543	9.4	127,594	34.3
2021	3.9	--	518	12.3	133,214	51.1
Revenue Not Available						
2019	8.2	--	11	1.8	2,560	3.3
2020	8.2	--	3,069	52.9	172,862	46.5
2021	7.6	--	2,876	68.2	77,980	29.9
Totals						
2019	100.0	100.0	615	100.0	77,261	100.0
2020	100.0	100.0	5,800	100.0	372,098	100.0
2021	100.0	--	4,217	100.0	260,597	100.0
Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

Lending to small businesses far exceeded aggregate data by 30.2 percent in 2019 and slightly exceeded aggregate data by 2.9 percent in 2020. Although CPB's performance appears to be a decreasing trend during the review period, it is largely attributable to the bank's large volume of SBA PPP loans with no reported revenues. Although performance was continually below demographic data in each year during the review period, many small businesses may not be creditworthy or do not have credit needs; thus, aggregate data is a better indicator of credit demand and opportunities in the area.

Excluding all the SBA PPP loans and controlling for the length of the evaluation period and asset size, CPB's performance is similar to the excellent performance at the prior evaluation and outperformed the excellent performance of the comparable institution.

Community Development Loans

CPB is a leader in making community development loans. The following table shows the community development lending by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
7/9/2019 – 12/31/2019	11	33,175	0	0	7	18,800	7	24,300	25	76,275
2020	17	57,400	11	32,926	51	101,910	11	64,102	90	256,338
2021	8	12,521	3	12,200	13	48,345	43	167,244	67	240,310
YTD 2022	9	33,899	1	1,200	9	42,121	19	137,285	38	214,505
Total	45	136,995	15	46,326	80	211,176	80	392,931	220	787,428
<i>Source: Bank Data</i>										

Total community development loans in the Honolulu assessment area includes 68 SBA PPP loans totaling \$119.9 million. SBA PPP lending was particularly responsive to the credit needs of small businesses during the pandemic.

Excluding SBA PPP loans and controlling for asset size and the length of the evaluation period, the current performance shows improvement since the excellent performance at the prior evaluation and exceeds the excellent performance of the comparable institution by dollar volume.

CPB made 45 loans for \$137.0 million to provide affordable housing in the Honolulu assessment area, responding to a critical credit and community development need. The following are notable examples of community development loans made during the review period.

- In 2020, CPB refinanced a \$5.3 million loan that provides 27 affordable rental units that supplies critically needed rental housing to LMI tenants.
- In 2020, CPB renewed a \$1.2 million line of credit and extended the maturity date to support working capital for a local workforce development nonprofit that serves primarily low-income disabled individuals.
- In 2021, CPB made a \$9.0 million commercial loan to a small business to purchase its current headquarters that consists of a single industrial warehouse. It supports the stability of the borrower's operations and provides jobs to LMI workers in the solid waste landfill industry.

INVESTMENT TEST

The Investment Test performance in the Honolulu assessment area is excellent. The excellent level and responsiveness of qualified investments support this conclusion.

Investment and Grant Activity

CPB has an excellent level of qualified investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. The bank made 128 qualified investments, including qualified grants and donations, totaling \$10.5 million. This total does not include the three qualified statewide investments that benefitted multiple assessment areas in the state of Hawaii.

The qualified investments include no new equity investments and 4 prior period investments (a \$2.8 million affordable housing revenue bond and 3 low-income housing tax credit investments totaling \$6.0 million) with a total outstanding balance of \$8.8 million. The complex low-income housing tax credit investments provide affordable housing for LMI individuals that are not commonly provided by private investors.

Qualified investments also include 124 grants and donations totaling \$1.7 million. The table below shows qualified grant and donation activity by year and purpose.

Qualified Grants and Donations										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
7/9/2019 – 12/31/2019	3	61	24	171	0	0	2	8	29	240
2020	0	0	12	65	2	188	11	184	25	437
2021	0	0	33	515	0	0	1	250	34	765
YTD 2022	0	0	23	117	3	42	10	53	36	212
Total	3	61	92	868	5	230	24	495	124	1,654
<i>Source: Bank Data</i>										

Controlling for asset size and the length of the evaluation period, the current equity investment performance decreased since the excellent performance at the prior evaluation and is below the excellent performance of the comparable institution. However, during the COVID-19 pandemic, grants and donations were needed to quickly get a variety of community services to more people in need. CPB has been very responsive to the community needs and significantly increased its donations to more than four times the level of grants and donations made during the prior evaluation period and is similar to the comparable institution.

The following are notable examples of donations made by the bank benefitting this assessment area during the review period.

- In 2020, the CPB Foundation made a \$100,000 contribution to a hospital in a moderate-income census tract with several adjacent LMI census tracts, in direct response to the COVID-19 pandemic. The funds were used to purchase equipment and beds for the expected influx of COVID-19 patients.
- The CPB Foundation implemented a program to help small businesses establish an online presence by sponsoring the initial development costs, providing one-year of related maintenance fees, and providing necessary digital marketing education. In 2020, the bank allocated \$183,000 on this program.
- In 2021, CPB donated \$100,000 to an organization that provides youth education services, of which 69.0 percent of participants are from LMI households.

Responsiveness to Credit and Community Development Needs

The institution exhibits excellent responsiveness to credit and community development needs in the assessment area. Refer to the bank-wide section for additional details.

Community Development Initiatives

CPB makes significant use of innovative and/or complex investments to support community development initiatives in the assessment area. Refer to the bank-wide section for details.

SERVICE TEST

The Service Test in the Honolulu assessment area is good. This is below the prior evaluation where the bank had excellent performance.

Accessibility of Delivery Systems

Delivery systems are readily accessible to all portions of the Honolulu assessment area. CPB operates 20 branch offices, which includes its corporate headquarters, and 43 ATMs in this assessment area. Branches in LMI geographies represent 35.0 percent of its total branch network in the Honolulu assessment area. This percentage compares favorably to the 26.4 percent of branches operated by all institutions within LMI census tracts in the assessment area. Branch distribution and alternative delivery systems for the assessment area are consistent with the bank overall. The following table shows the branch and ATM locations within the assessment area.

Branch and ATM Distribution by Geography Income Level								
Assessment Area: Honolulu								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	10	4.1	31,502	3.2	0	0.0	0	0.0
Moderate	51	20.9	219,481	22.3	7	35.0	13	30.3
Middle	103	42.2	456,250	46.3	4	20.0	17	39.5
Upper	65	26.6	275,101	28.0	8	40.0	12	27.9
NA	15	6.2	1,844	0.2	1	5.0	1	2.3
Total	244	100.0	984,178	100.0	20	100.0	43	100.0
<i>Source: Bank Data and 2015 ACS</i>								

Changes in Branch Locations

To the extent that changes have been made, the institution's opening and closing of branches has no adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and /or to low- and moderate-income individuals. The bank closed seven branches in the assessment area during the review period. Refer to the bank-wide comments regarding overall branch location changes.

Reasonableness of Business Hours and Services

CPB's services do not vary in a way that inconveniences certain portions of the Honolulu assessment area, particularly LMI geographies and individuals. The bank's hours and services are consistent with the discussion at the institution level. Refer to the bank-wide comments regarding business hours and services.

Community Development Services

CPB provides a relatively high level of community development services. During the evaluation period, 44 employees contributed a total of 4,965 hours to 43 different organizations. Service hours have decreased approximately 27 percent since the prior evaluation where employees provided 6,802 hours. The annualized hours are far below the previous evaluation where the bank was considered a leader. This decline was largely due to the COVID-19 pandemic that placed many restrictions for in person activities. CPB's performance is also below a similarly situated large bank that is a leader in providing community development services. The following table shows the number of service hours by year and community development purpose.

Community Development Services – Honolulu					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019 (Jul 9 – Dec 31)	16	889	0	45	950
2020	12	1,233	24	60	1,329
2021	0	1,433	0	97	1,530
YTD 2022	0	999	0	157	1,156
Total	28	4,554	24	359	4,965
<i>Source: Bank Data</i>					

The following are notable community development service activity examples provided during the evaluation period:

- An executive officer is a board member for an organization committed to assist at risk youth, immigrants, and people with disabilities that uses various programs to find employment. Programs include job training and placement.
- A member of senior management participates on a board of an organization that fosters work readiness, entrepreneurship, financial education, and provides scholarships to LMI students.
- A bank officer serves as the treasurer for an organization that awards scholarships to deserving LMI students.

HAWAII-KAUAI NON-MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE HAWAII-KAUAI NON-MSA ASSESSMENT AREA

The Hawaii-Kauai Non-MSA assessment area includes all census tracts on the islands of Hawaii, Kauai, and Niihau.

Economic and Demographic Data

Based on the 2015 ACS Census data, the Hawaii-Kauai Non-MSA assessment area consists of 67 census tracts. The following table shows select demographic, housing, and business information within the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Hawaii-Kauai Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	67	4.5	9.0	43.3	11.9	31.3
Population by Geography	261,173	6.2	13.7	57.9	22.2	0.0
Housing Units by Geography	114,894	6.3	14.5	58.4	20.8	0.0
Owner-Occupied Units by Geography	57,012	4.5	16.3	57.5	21.7	0.0
Occupied Rental Units by Geography	30,441	10.7	11.4	58.4	19.5	0.0
Vacant Units by Geography	27,441	5.2	14.1	60.3	20.4	0.0
Businesses by Geography	21,198	9.6	3.4	66.2	20.8	0.0
Farms by Geography	1,024	4.2	7.5	66.7	21.6	0.0
Family Distribution by Income Level	58,971	22.4	16.0	20.4	41.3	0.0
Household Distribution by Income Level	87,453	26.9	13.9	17.3	41.9	0.0
Median Family Income Non-MSAs - HI		\$64,846	Median Housing Value			\$376,745
			Median Gross Rent			\$1,164
			Families Below Poverty Level			12.3%
Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

The assessment area’s 21,198 businesses reported gross annual revenues as follows:

- 87.7 percent had \$1 million or less
- 3.3 percent had more than \$1 million
- 9.0 percent did not report revenue information

The FFIEC annually publishes estimates of updated median family incomes for Non-MSA areas. The following table shows the FFIEC's estimated median family incomes from 2019 thru 2021 for the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
HI NA Median Family Income (99999)				
2019 (\$71,300)	<\$35,650	\$35,650 to <\$57,040	\$57,040 to <\$85,560	≥\$85,560
2020 (\$74,900)	<\$37,450	\$37,450 to <\$59,920	\$59,920 to <\$89,880	≥\$89,880
2021 (\$78,800)	<\$39,400	\$39,400 to <\$63,040	\$63,040 to <\$94,560	≥\$94,560
<i>Source: FFIEC</i>				

According to the 2021 D&B data, the Non-MSA assessment area's economy benefits from tourism similar to the rest of the state. Services, which includes leisure and hospitality, account for 36.7 percent of businesses. Other large industries include retail trade at 13.2 percent, finance, insurance, and real estate at 6.9 percent, and construction at 6.2 percent. Agriculture and fishing account for 4.6 percent of businesses, more than triple the share of the state's MSAs.

According to FEMA.gov, the Hawaii-Kauai assessment area was subject to four major disaster declarations during the review period. Three of the four involved severe storms, flooding, and landslides with the following declaration dates; July 20, 2020, May 13, 2021 and February 15, 2022. The fourth was the Hawaii COVID-19 Pandemic declared on April 1, 2020. This assessment area also has eight distressed middle-income Non MSA census tracts in 2021 due to unemployment.

The Non-MSA assessment area is the largest and least dense of all the state of Hawaii assessment areas. Much of the area is somewhat remote or rural; incomes, rents, and property values are lower than in the Hawaii MSA areas, while poverty levels are much higher.

Unemployment rates in the Non-MSA counties fluctuated through the evaluation period due to the COVID-19 pandemic and associated travel and business restrictions. The following table shows the unemployment rates for the area throughout the evaluation period from the U.S. Bureau of Labor Statistics.

Unemployment Rates				
Area	2018	2019	2020	2021
	%	%	%	%
Hawaii County	2.8	3.1	11.4	4.9
Kauai County	2.4	2.4	16.2	6.7
Hawaii Statewide Average	2.4	2.5	11.6	5.7
National Average	3.9	3.7	8.1	3.7
<i>Source: Bureau of Labor Statistics</i>				

Competition

The financial services market in the Hawaii-Kauai Non-MSA assessment area has a low level of competition and is largely controlled by a small number of local and regional institutions. According to the June 30, 2022 FDIC Deposit Market Share Report, the assessment area had 8 financial institutions operating 43 branches with \$6.6 billion in deposits. Collectively, the top 3 financial institutions have 86.9 percent of the assessment area deposit market share. CPB maintains \$454.7 million in total deposits, representing 6.9 percent of the assessment area deposit market share ranking 4th among all financial institutions in the area.

Community Contact(s)

Examiners reviewed the notes from an Interagency Listening Session that included six community-based organizations serving this assessment area. These organizations indicated that the pandemic had a negative impact on many aspects such as unemployment, healthcare, and childcare. The organizations stated they are seeing a tremendous increase in building materials and other supply costs that had a negative impact on housing development. Affordable housing is the biggest challenge with many more units built for vacation rentals rather than primary residential use. Inflation coupled with lower wages unable to keep pace made it harder for individuals and families to afford to purchase a home. The organizations also noted that small businesses are struggling with access to capital. Moreover, the organizations noted that childcare issues are a challenge for parents returning to work due to cost or unavailability. Financial education and volunteers for community service programs are also in need.

Credit and Community Development Needs and Opportunities

Based on economic and demographic data, community contacts, and bank information, examiners determined that affordable housing and small business credit are the critical needs in the Hawaii-Kauai Non-MSA assessment area. In addition, there is a significant community development need, as unemployment and poverty are much higher in the non-MSAs than in the state MSAs. Opportunities for in-person community development services were somewhat lower in 2020 and 2021 due to limitations on public gatherings during the pandemic.

CONCLUSIONS ON PERFORMANCE CRITERIA IN HAWAII-KAUAI NON-MSA ASSESSMENT AREA

LENDING TEST

The Lending Test performance in the Hawaii-Kauai Non-MSA assessment area is good. The excellent distribution of borrowers, good penetration of loans, and high level of community development lending primarily support this conclusion.

Lending Activity

Lending levels reflect excellent responsiveness to the credit needs of the Hawaii-Kauai Non-MSA assessment area. During the review period, CPB made or purchased 758 home mortgage loans totaling \$250.8 million and 1,505 small business loans totaling \$101.8 million within this assessment area. Controlling for the length of the evaluation period, CPB's lending in the Hawaii-Kauai Non-MSA assessment area for both HMDA and small business loans significantly increased by number and dollar volume compared to the previous evaluation. The significant increase in lending is largely attributable to effects of the COVID-19 pandemic such as lower interest rates and SBA PPP lending, indicating a strong responsiveness to the credit needs.

Assessment area competition for small business loans is moderately high. In 2020, 88 lenders reported 8,321 small business loans totaling \$424.8 million. Of these institutions, CPB ranked 4th, by number of loans, with a market share of 10.1 percent and 3rd, by dollar volume, with a 12.4 percent market share. The top 5 institutions, by number of small business loans, represent 61.4 percent of total loans reported. Four of these institutions are large local lenders.

Assessment area competition for home mortgage loans is high. In 2020, 202 lenders reported 10,639 home mortgage loans totaling \$4.5 billion. Of these institutions, CPB ranked 12th, by number of loans, with a market share of 2.7 percent and 14th, by dollar volume, with a 2.1 percent market share. The top 5 institutions, by number of home mortgage loans, represent 33.3 percent of total loans reported. Four of five institutions are large local lenders while the fifth is a very large nationwide mortgage lender.

Geographic Distribution

Overall, the geographic distribution of loans represents good penetration throughout the Hawaii-Kauai Non-MSA assessment area. This conclusion is supported by good performance in home mortgage lending and adequate performance in small business lending.

Home Mortgage Loans

The geographic distribution of home mortgage loans represents good penetration throughout the Hawaii-Kauai Non-MSA assessment area. The following table shows the distribution of home mortgage loans by census tract income level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Hawaii-Kauai Non-MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	4.5	3.1	14	7.8	1,856	3.6
2020	4.5	3.0	18	6.4	2,803	2.9
2021	4.5	2.9	19	6.4	3,502	3.4
Moderate						
2019	16.3	16.2	31	17.3	7,038	13.5
2020	16.3	15.2	42	14.9	10,134	10.6
2021	16.3	16.4	45	15.2	10,859	10.6
Middle						
2019	57.5	55.0	86	48.0	26,878	51.5
2020	57.5	55.1	142	50.4	49,835	52.1
2021	57.5	55.4	148	49.8	56,397	54.8
Upper						
2019	21.7	25.7	48	26.8	16,453	31.5
2020	21.7	26.7	80	28.4	32,913	34.4
2021	21.7	25.3	85	28.6	32,158	31.2
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
Totals						
2019	100.0	100.0	179	100.0	52,225	100.0
2020	100.0	100.0	282	100.0	95,685	100.0
2021	100.0	100.0	297	100.0	102,915	100.0
Source: 2015 ACS; Bank Data, 2019, 2020 & 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%						

The bank's performance consistently exceeded both aggregate and demographic data in low-income census tracts. Lending in moderate-income census tracts varied during the review period ranging from 1.1 percentage points greater than aggregate in 2019 to 1.2 percentage points below aggregate in 2021. Overall, the performance shows a slight decline from the previous evaluation's excellent performance; however, is superior to the adequate performance of the comparable institution.

Small Business Loans

The geographic distribution of small business loans represents adequate penetration throughout the Hawaii-Kauai Non-MSA assessment area. The following table shows the distribution of small business loans by census tract income level.

Geographic Distribution of Small Business Loans						
Assessment Area: Hawaii-Kauai Non-MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	9.8	7.1	6	7.7	560	4.3
2020	9.8	7.8	86	10.3	6,968	13.3
2021	9.6	--	47	8.0	2,769	7.6
Moderate						
2019	4.0	5.1	3	3.8	225	1.7
2020	3.5	5.4	31	3.7	889	1.7
2021	3.4	--	29	4.9	1,425	3.9
Middle						
2019	66.1	63.8	57	73.1	11,189	86.0
2020	66.3	63.4	569	68.1	36,860	70.2
2021	66.2	--	400	67.7	26,917	74.1
Upper						
2019	20.2	24.0	12	15.4	1,035	8.0
2020	20.4	23.5	150	17.9	7,762	14.8
2021	20.8	--	115	19.5	5,237	14.4
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	78	100.0	13,009	100.0
2020	100.0	100.0	836	100.0	52,479	100.0
2021	100.0	--	591	100.0	36,348	100.0
Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Lending in low-income census tracts showed mixed performance during the review period with the best performance in 2020 that exceeded both aggregate and demographic data. Performance in 2019 slightly exceeded aggregate data, but was 2.1 percentage points below demographic data.

Although performance in 2021 was better than 2019, especially by number of loans and dollar amount, it was still 1.6 percentage points below demographic data.

Lending in moderate-income census tracts was below aggregate data in both 2019 and 2020 ranging from 1.7 to 1.3 percentage points. Lending in 2021 shows a positive trend increasing 1.2 percentage points by number of loans above 2020 lending and 1.5 percentage points greater than 2021 demographic data reflecting positively on the bank's performance.

Overall, the performance is consistent with the previous evaluation's adequate performance, but is below the good performance of the comparable institution.

Borrower Profile

Overall, the distribution of borrowers represents excellent penetration among businesses of different revenue sizes and individuals of different income levels in the Hawaii-Kauai Non-MSA assessment area. This conclusion is supported by good performance in home mortgage lending and excellent performance in small business lending.

Home Mortgage Loans

The distribution of home mortgage loans represents good penetration among individuals of different income levels. The following table shows the distribution of loans by borrower income category.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Hawaii-Kauai Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	22.4	3.4	8	4.5	996	1.9
2020	22.4	2.9	11	3.9	1,463	1.5
2021	22.4	3.2	15	5.1	2,221	2.2
Moderate						
2019	16.0	9.3	26	14.5	4,480	8.6
2020	16.0	9.7	35	12.4	7,265	7.6
2021	16.0	11.9	37	12.5	7,354	7.1
Middle						
2019	20.4	18.7	36	20.1	7,763	14.9
2020	20.4	19.2	61	21.6	16,279	17.0
2021	20.4	19.8	57	19.2	15,906	15.5
Upper						
2019	41.3	55.8	107	59.8	37,679	72.1
2020	41.3	52.5	170	60.3	68,338	71.4
2021	41.3	50.6	183	61.6	73,369	71.3
Not Available						
2019	0.0	12.7	2	1.1	1,306	2.5
2020	0.0	15.8	5	1.8	2,339	2.4
2021	0.0	14.5	5	1.7	4,066	4.0
Totals						
2019	100.0	100.0	179	100.0	52,225	100.0
2020	100.0	100.0	282	100.0	95,684	100.0
2021	100.0	100.0	297	100.0	102,915	100.0
Source: 2015 ACS; Bank Data, 2019, 2020 & 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%						

Lending to low-income borrowers consistently exceeded aggregate data by approximately 1.0 percentage point in 2019 and 2020. The percentage increased to nearly 2.0 percentage points in 2021. While the distribution of home mortgage loans falls far below demographic data, it is partly due to the high 12.3 percent poverty rate that directly affects low-income borrowers, who are unlikely to be homeowners.

Lending to moderate-income borrowers in 2019 was approximately 5.2 percentage points greater than aggregate. This percentage declined slightly in 2020 to 2.7 percentage points greater than

aggregate. In 2021, this percentage was only 0.6 percentage points greater than aggregate. Although the distribution of loans falls below demographic data, the assessment area high housing costs make LMI homeownership challenging and thus limited opportunities for banks to make home mortgage loans to LMI individuals. Overall, the bank's performance decreased from the excellent performance at the previous evaluation; however, it is slightly better than the good performance of the comparable institution.

Small Business Loans

The distribution of small business loans represents excellent penetration among businesses of different revenue sizes. The following table shows the distribution of loans by business gross annual revenues.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Hawaii-Kauai Non-MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	86.4	46.4	45	57.7	4,479	34.4
2020	86.5	38.8	326	39.0	12,137	23.1
2021	87.7	--	146	24.7	9,292	25.6
>\$1,000,000						
2019	4.0	--	28	35.9	8,135	62.5
2020	3.8	--	76	9.1	15,461	29.5
2021	3.3	--	71	12.0	15,067	41.5
Revenue Not Available						
2019	9.6	--	5	6.4	395	3.0
2020	9.7	--	434	51.9	24,881	47.4
2021	9.0	--	374	63.3	11,989	33.0
Totals						
2019	100.0	100.0	78	100.0	13,009	100.0
2020	100.0	100.0	836	100.0	52,479	100.0
2021	100.0	--	591	100.0	36,348	100.0
Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

Lending to small businesses exceeded aggregate data by 11.3 percentage points in 2019 and mirrors aggregate data in 2020. Although the performance seems to be a decreasing trend during the review period, it is largely attributable to the bank's large volume of SBA PPP loans with no reported revenues. Although performance was constantly below demographic data in each year during the review period, many small businesses may not be creditworthy, do not have credit needs, or use

alternative funding sources; thus, aggregate data is a much better indicator of credit demand and opportunities in the area.

Excluding all the SBA PPP loan originations and controlling for the length of the evaluation period and asset size, CPB's performance is similar to the excellent performance at the previous evaluation and outperformed the excellent performance of a comparable institution.

Community Development Loans

CPB made a relatively high level of community development loans in the assessment area. The following table shows the community development lending by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
7/9/2019 – 12/31/2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	2	1,342	0	0	2	1,342
2021	1	600	0	0	1	1,500	2	7,342	4	9,442
YTD 2022	0	0	1	250	3	7,032	1	3,808	5	11,090
Total	1	600	1	250	6	9,874	3	11,150	11	21,874
<i>Source: Bank Data</i>										

Total community development loans in the Hawaii-Kauai Non-MSA assessment area includes 3 SBA PPP loans totaling \$3.9 million. Excluding SBA PPP loans and controlling for asset size and the length of the evaluation period, current performance significantly increased by dollar volume compared to the previous evaluation; however, it is lower than the excellent performance of the comparable institution.

The following are notable examples of community development loans made during the review period.

- In 2021, CPB made a \$600,000 loan to a local business to build a residential 4-bedroom unit on the property to aid in employee retention, due to a worker shortage. The bedrooms were offered to workers at below market rents.
- In 2022, CPB made a \$1.4 million loan to finance the build out costs and associated equipment and software purchases for a start-up business. The business employs several LMI workers and serves the adjacent low-income census tract.

INVESTMENT TEST

The Investment Test performance in the Hawaii-Kauai Non-MSA assessment area is excellent. The excellent level and responsiveness of qualified investments support this conclusion.

Investment and Grant Activity

CPB has an excellent level of qualified investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. The bank made 16 qualified investments, including qualified grants and donations, totaling \$20.8 million. This total does not include the three qualified statewide investments that benefitted multiple assessment areas in the state of Hawaii.

The qualified investments include a new \$8.2 million low-income housing tax credit investment in 2020 and 3 prior period investments (a \$4.0 million affordable housing revenue bond and 2 low-income housing tax credit investments totaling \$8.6 million) with a total outstanding balance of \$20.8 million. These complex low-income housing tax credit investments provide affordable housing for LMI individuals that are not commonly provided by private investors.

Qualified investments also include 12 grants and donations totaling \$56,000. The table below shows assessment area qualified grant and donation activity by year and purpose.

Qualified Grants and Donations										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
7/9/2019 – 12/31/2019	0	0	3	3	0	0	0	0	3	3
2020	0	0	2	1	0	0	1	1	3	2
2021	0	0	2	0*	0	0	0	0	2	0*
YTD 2022	0	0	0	0	1	50	3	1	4	51
Total	0	0	7	4	1	50	4	2	12	56
<i>Source: Bank Data</i>										
<i>*dollar amount totaled less than \$500</i>										

Controlling for asset size and the length of the evaluation period, the current qualified investment performance doubled by dollar volume compared to the prior evaluation and is similar to the excellent performance of the comparable institution.

The following are notable examples of donations made during the review period benefitting the assessment area.

- In 2019, CPB made a \$500 donation to an organization that helps the hungry in Hawaii County.
- In 2019, CPB made a \$2,000 donation to a nonprofit organization dedicated to serving primarily LMI households' social needs in Kauai County.
- In 2022, the bank made a \$50,000 donation to provide funds to help build a new preschool facility in a low-income census tract. Providing childcare facilities is a need identified by

the attendees at the community listening session. This facility will also help to attract young families and provide employment opportunities in the area.

Responsiveness to Credit and Community Development Needs

The institution exhibits excellent responsiveness to credit and community development needs in the assessment area. Refer to the bank-wide section for additional details.

Community Development Initiatives

CPB makes significant use of innovative and/or complex investments to support community development initiatives in the assessment area. Refer to the bank-wide section for details.

SERVICE TEST

The Service Test in the Hawaii-Kauai Non-MSA assessment area is good. This conclusion is below the previous evaluation where a limited-scope review of the assessment area had consistent performance with the bank-wide excellent performance.

Accessibility of Delivery Systems

Delivery systems are readily accessible to all portions of the Hawaii-Kauai Non-MSA assessment area. CPB operates 3 branch offices and 7 ATMs in this assessment area. There is one branch in a low-income geography that represents 33.3 percent of the total assessment area branch network. While the bank does not have any branches in moderate-income census tracts, the percentage in low-income tracts compares favorably to the 21.7 percent of branches operated by all institutions within LMI census tracts. Assessment area branch distribution and alternative delivery systems are consistent with the bank overall. The following table shows the assessment area branch and ATM locations.

Branch and ATM Distribution by Geography Income Level								
Assessment Area: Hawaii-Kauai Non-MSA								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	3	4.5	16,185	6.2	1	33.3	3	42.9
Moderate	6	9.0	35,749	13.7	0	0.0	0	0.0
Middle	29	43.3	151,269	57.9	2	66.7	4	57.1
Upper	8	11.9	57,970	22.2	0	0.0	0	0.0
NA	21	31.3	0	0.0	0	0.0	0	0.0
Totals	67	100.0	261,173	100.0	3	100.0	7	100.0
<i>Source: Bank Data and 2015 ACS</i>								

Changes in Branch Locations

To the extent changes have been made, CPB's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals. The bank closed one branch, which was located in middle-income tract during the review period. Refer to the bank-wide comments regarding overall branch location changes.

Reasonableness of Business Hours and Services

CPB's services do not vary in a way that inconveniences certain portions of the Hawaii-Kauai Non-MSA assessment area, particularly LMI geographies or individuals. The bank's hours and services are consistent with the discussion at the institution level. Refer to the bank-wide comments regarding business hours and services.

Community Development Services

CPB provides a relatively high level of community development services in this assessment area. During the evaluation period, 3 employees contributed 544 hours to 4 different organizations. Service hours have more than doubled since the prior evaluation where employees provided 219 hours. Although far below the peer bank's performance, the annualized service hours increased 48.2 percent from the previous evaluation in which CPB's performance was consistent with the bank-wide leader performance. The following table shows the number of service hours by community development purpose.

Community Development Services - Hawaii-Kauai Non-MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019 (Jul 9 – Dec 31)	0	42	0	0	42
2020	0	180	0	0	180
2021	0	196	0	0	196
YTD 2022	0	36	0	90	126
Total	0	454	0	90	544
<i>Source: Bank Data</i>					

The following are noteworthy examples of the bank’s qualified services benefitting this assessment area:

- A bank officer serves on the board for a non-profit organization dedicated to the assessment area’s social needs, particularly for LMI individuals.
- A bank officer participates on the board of an organization committed to making homelessness a temporary situation.
- A bank officer serves on a nonprofit organization committee that promotes community relations to support LMI individuals.

OTHER ASSESSMENT AREA – Limited-Scope Review

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE REVIEW ASSESSMENT AREA

The following table summarizes the conclusions for the Maui assessment area. Examiners drew conclusions regarding the institution’s CRA performance from reviewing available facts and data, including performance figures, economic data, competition, and demographic information. The conclusions from the limited-scope review did not change the bank’s overall CRA performance rating.

Assessment Area	Lending Test	CD Investment Test	CD Service Test
Maui	Below	Consistent	Above

Facts and data supporting conclusions for the limited-scope assessment area follow, including a summary of CPB’s operations and activities. Economic and demographic data, deposit market share, and both HMDA and small business loan market share information for the Maui limited-scope assessment area is included in the Appendices of this Performance Evaluation.

Maui Assessment Area

CPB operates 4 full-service branches (all in middle-income census tracts) and 14 ATMs in this assessment area. During the evaluation period, CPB did not open or close any branches in this

assessment area. There are no low-income census tracts in the Maui assessment area. CPB had 12 employees provided community development service hours to 13 organizations.

Controlling for asset size and the length of the evaluation period, the current qualified investment performance almost doubled the excellent performance, by dollar volume, at the previous evaluation and outperformed the comparable institution.

Activity	#	\$ (000s)
Small Business Loans	1,570	155,268
Home Mortgage Loans	637	264,363
Community Development Loans	52	125,240
Investments (New)	4	14,484
Investments (Prior Period)	7	17,098
Donations	21	128
Community Development Services – hours	1,440	-
<i>Source: Bank Data</i>		

Geographic Distribution and Borrower Profile

Geographic Distribution

HMDA

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Maui						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Moderate						
2019	14.0	13.4	17	9.1	7,379	10.3
2020	14.0	11.8	14	5.7	7,291	7.1
2021	14.0	--	22	10.8	10,444	11.5
Middle						
2019	74.1	72.2	139	74.7	54,908	76.8
2020	74.1	75.5	196	79.4	79,361	77.7
2021	74.1	--	151	74.0	66,888	73.8
Upper						
2019	11.9	14.5	30	16.1	9,255	12.9
2020	11.9	12.7	37	15.0	15,531	15.2
2021	11.9	--	31	15.2	13,308	14.7
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	186	100.0	71,541	100.0
2020	100.0	100.0	247	100.0	102,182	100.0
2021	100.0	--	204	100.0	90,640	100.0
Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business

Geographic Distribution of Small Business Loans						
Assessment Area: Maui						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Moderate						
2019	16.2	14.2	19	17.1	4,902	19.8
2020	15.8	15.6	119	13.9	10,090	14.2
2021	15.1	--	75	12.4	7,178	12.1
Middle						
2019	74.7	75.3	75	67.6	16,304	65.7
2020	74.8	73.4	616	72.1	51,658	72.5
2021	74.9	--	450	74.4	42,750	72.3
Upper						
2019	9.1	10.5	17	15.3	3,613	14.6
2020	9.4	11.0	119	13.9	9,551	13.4
2021	10.1	--	80	13.2	9,222	15.6
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	111	100.0	24,819	100.0
2020	100.0	100.0	854	100.0	71,299	100.0
2021	100.0	--	605	100.0	59,150	100.0
Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Borrower Profile

HMDA

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Maui						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	20.0	2.2	3	1.6	407	0.6
2020	20.0	3.6	14	5.7	2,647	2.6
2021	20.0	--	11	5.4	3,875	4.3
Moderate						
2019	18.2	9.6	22	11.8	5,512	7.7
2020	18.2	14.1	39	15.8	13,360	13.1
2021	18.2	--	33	16.2	9,901	10.9
Middle						
2019	22.0	20.6	47	25.3	14,734	20.6
2020	22.0	23.9	61	24.7	22,062	21.6
2021	22.0	--	53	26.0	18,415	20.3
Upper						
2019	39.8	57.3	109	58.6	47,100	65.8
2020	39.8	45.8	118	47.8	54,775	53.6
2021	39.8	--	98	48.0	54,926	60.6
Not Available						
2019	0.0	10.4	5	2.7	3,789	5.3
2020	0.0	12.6	15	6.1	9,339	9.1
2021	0.0	--	9	4.4	3,523	3.9
Totals						
2019	100.0	100.0	186	100.0	71,541	100.0
2020	100.0	100.0	247	100.0	102,182	100.0
2021	100.0	--	204	100.0	90,640	100.0
Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Maui						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	88.0	43.5	53	47.7	5,210	21.0
2020	88.1	36.3	312	36.5	13,415	18.8
2021	89.2	--	103	17.0	10,601	17.9
>\$1,000,000						
2019	3.6	--	56	50.5	19,409	78.2
2020	3.4	--	130	15.2	33,931	47.6
2021	2.9	--	122	20.2	36,666	62.0
Revenue Not Available						
2019	8.4	--	2	1.8	200	0.8
2020	8.5	--	412	48.2	23,953	33.6
2021	7.9	--	380	62.8	11,883	20.1
Totals						
2019	100.0	100.0	111	100.0	24,819	100.0
2020	100.0	100.0	854	100.0	71,299	100.0
2021	100.0	--	605	100.0	59,150	100.0
Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

SCOPE OF EVALUATION

Central Pacific Bank	
Scope of Examination: Full-scope reviews were performed on the following assessment areas within the noted rated area: State of Hawaii: <ul style="list-style-type: none"> Honolulu Assessment Area Hawaii-Kauai Non-MSA Assessment Area 	
Time Period Reviewed:	07/09/2019 to 10/25/2022
Products Reviewed: Small Business Loans: 01/01/2019 – 12/31/2022 HMDA Loans: 01/01/2019 – 12/31/2022	

List of Assessment Areas and Type of Evaluation			
Rated Area/ Assessment Area	Type of Evaluation	Branches Visited	Other Information
State of Hawaii:			
Honolulu	Full-Scope	None	None
Hawaii-Kauai Non-MSA	Full-Scope	None	None
Maui	Limited-Scope	None	None

DESCRIPTION OF LIMITED-SCOPE ASSESSMENT AREAS

Maui Assessment Area

Economic and Demographic Data

Based on the 2015 ACS Census data, the Maui assessment area consists of 38 census tracts. The following table shows select demographic, housing, and business information within the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Maui						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	38	0.0	21.1	57.9	10.5	10.5
Population by Geography	160,863	0.0	16.6	72.9	10.5	0.0
Housing Units by Geography	71,157	0.0	16.8	72.4	10.8	0.0
Owner-Occupied Units by Geography	30,824	0.0	14.0	74.1	11.9	0.0
Occupied Rental Units by Geography	22,639	0.0	21.5	70.2	8.3	0.0
Vacant Units by Geography	17,694	0.0	15.5	72.3	12.2	0.0
Businesses by Geography	17,710	0.0	15.1	74.9	10.1	0.0
Farms by Geography	580	0.0	16.4	72.8	10.9	0.0
Family Distribution by Income Level	36,685	20.0	18.2	22.0	39.8	0.0
Household Distribution by Income Level	53,463	23.4	16.3	19.6	40.7	0.0
Median Family Income MSA - 27980 Kahului-Wailuku-Lahaina, HI MSA		\$76,195	Median Housing Value			\$545,668
			Median Gross Rent			\$1,330
			Families Below Poverty Level			7.7%
Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

The assessment area's 17,710 businesses reported gross annual revenues as follows:

- 89.2 percent had \$1 million or less
- 2.9 percent had more than \$1 million
- 7.9 percent did not report revenue information

Services represent the largest industry at 37.0 percent of businesses followed by non-classifiable establishments at 25.2 percent, retail trade at 12.4 percent, and finance, insurance, and real estate at 7.1 percent.

The FFIEC annually publishes estimates of updated median family incomes by MSA or Metropolitan Division. The following table shows the FFIEC's estimated median family incomes from 2019 thru 2021 for the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Kahului-Wailuku-Lahaina, HI MSA Median Family Income (27980)				
2019 (\$83,800)	<\$41,900	\$41,900 to <\$67,040	\$67,040 to <\$100,560	≥\$100,560
2020 (\$97,500)	<\$48,750	\$48,750 to <\$78,000	\$78,000 to <\$117,000	≥\$117,000
2021 (\$95,900)	<\$47,950	\$47,950 to <\$76,720	\$76,720 to <\$115,080	≥\$115,080
<i>Source: FFIEC</i>				

According to the July 2022 Moody's Analytics report, Maui's economy has been nearly flat over the past year. The area has recovered about 70.0 percent of jobs lost during the pandemic, slightly more than the state, but well behind the fully recovered region and nation. Private service payrolls have been increasing, while goods producers and the public section have been cutting jobs. As a result, the jobless rate remains above its long-run pre-pandemic average, despite a relatively weak labor force. The assessment area unemployment rate hit an all-time high of 34.6 percent in April 2020. Unemployment has steadily declined since then and has been below 5.0 percent since January 2022. Area strengths include a desirable quality of life attracting wealthy retirees and desirable location for visitors. Weaknesses include exposure to hard-hit travel and tourism, extremely high costs and unaffordable single-family housing, continued slowing in population growth, below-average educational achievement, and well below-average per capita income. The top employment sectors include leisure and hospitality services, education and health services, retail trade, and government. The area's largest employers include Grand Wailea, a Waldorf Astoria resort, Ritz Carlton Kapalua, Walmart Incorporated, and Kaanapali Beach Club.

The Maui assessment area was designated as a disaster area on May 13, 2021, and February 15, 2022, due to severe storms, flooding, and landslides.

Competition

Financial services competition in the Maui assessment area is low and largely controlled by a small number of local institutions. According to the June 30, 2022 FDIC Summary of Deposits Report, the assessment area had 7 financial institutions operating 32 branches with a total of \$5.4 billion in deposits. Collectively, the top 3 financial institutions maintain 85.3 percent of the assessment area deposit market share. CPB maintains \$604.5 million in total deposits, representing 11.2 percent of the assessment area deposit market share ranking 4th among all financial institutions in the assessment area.

Assessment area competition for small business loans is moderately high. In 2020, 85 lenders reported 6,723 small business loans totaling \$356.4 million. Of these institutions, CPB ranked 4th, by number of loans, with a market share of 12.7 percent and 3rd, by dollar volume, with a 20.0 percent market

share. The top 5 institutions, by number of small business loans, represent 63.5 percent of total loans reported. Four of these institutions are large local lenders.

Assessment area competition for home mortgage loans is high. In 2020, 213 lenders reported 11,329 home mortgage loans totaling \$5.7 billion. Of these institutions, CPB ranked 8th, by number of loans, with a market share of 3.9 percent and 8th, by dollar volume, with a 3.1 percent market share. The top 5 institutions, by number of home mortgage loans, represent 39.3 percent of total loans reported. Three of these institutions are large local lenders.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five-year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.